

14 Jan

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14 January 1958

MEMORANDUM FOR: Assistant Director/RR *me*  
THROUGH: Chief, Economic Research  
THROUGH: Chief, Services Division *YH*  
FROM: Chief, Trade Branch  
SUBJECT: Current Status of Research on Soviet Gold Production

1. The major ORR effort to determine the level of Soviet gold production was made in 1954 and 1955 and resulted in the publication of CIA/SC/RR 121, Soviet Gold Production, Reserves, and Exports through 1954, 17 October 1955. Since that time, new material has merely been scanned to see if it made a significant contribution to the problem. Recent indications, however, that the Secretary of State and Director of Central Intelligence were interested in Soviet gold production led us to survey the post-1955 material in order to judge whether it necessitated a revision of our estimates of Soviet gold production.

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2. The attached paper summarizes some of the more significant new material as well as our current thinking on the gold [REDACTED] data. In general, this material not only confirms but greatly strengthens the general magnitude of the earlier estimates. The new data, for example, for the first time, provides production plans in terms of volume, for both Dal'stroy and Glavzoloto. Earlier estimates depended on indirect and complicated methodologies. The new data allow estimates for 1957 which are well within the margin of error on the earlier estimates but are based on different and much more direct methodologies.

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3. Until the fall of 1956, the [REDACTED] estimate of current Soviet gold production was about three times as large as the ORR estimate. At that time, following the receipt of some of the new [REDACTED] the responsible ORR analyst went [REDACTED] for discussions with [REDACTED] In these discussions [REDACTED] acknowledged that its own estimates of Soviet gold production were too

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high and accepted the ORR methodology used in SC/RR 121 for estimating Soviet gold production as a valid one. It is not known, however, [REDACTED] has made a new estimate of Soviet gold production.

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Enclosure:

As per paragraph 2.

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Current Status of Research on Soviet Gold Production

1. ORR research in 1954 and 1955 to determine the level of Soviet gold production resulted in the publication of CIA/SC/RR 121, Soviet Gold Production, Reserves, and Exports through 1954, 17 October 1955. For this project it was necessary to estimate gold production by three separate producing sectors of the Soviet gold industry:

- 1) Glavzoloto, the Chief Directorate of the Gold and Platinum Industry;
- 2) Dal'stroy, an MVD organization for exploiting the mineral resources of the Kolyma area in Northeast Siberia; and 3) by-product gold production by the copper, lead, and zinc industries.

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[REDACTED] Total Soviet gold production was estimated to have been 4.8 million ounces in 1954.

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2. The publication of this paper coincided with the publication of

[REDACTED] This paper relied heavily upon estimates by Kazimierz Zamorski and others of a huge gold production in the Kolyma area. Its high estimate of Soviet gold production later received some support from the preliminary results of [REDACTED]

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Futhermore, several proformas have indicated the size of the Dal'stroy labor force. [REDACTED] had believed that the ORR estimate of 100,000 gold miners in Dal'stroy in the early 1950's was much too low and that this was a major reason for our "error in

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estimating gold production so low. [REDACTED]

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[REDACTED] This type of proforma is believed to include slave and free labor, and in some cases similar proformas have indicated that the total includes " " slave laborers. This interpretation is supported by another

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[REDACTED] The wage fund thus represents about three-fourths of total planned costs in 1956 and, accordingly, almost surely includes slave labor costs. The new data thus indicates that ORR did not underestimate the size of Dal'stroy's labor force.

b. Glavzoloto.

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[REDACTED] Lena's volume is not indicated but should be in the vicinity of 2 tons, since the gold output of all trusts appears to be valued at the same price. Thus the total planned output of these 7 trusts was about 8 tons for the quarter, or at an annual rate less than 32 tons, since the 2nd quarter would be expected to be the second largest in the year.

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The total number of gold trusts is not known, but

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[REDACTED] The Kazakh trusts were formerly under Glavzoloto, but have now been decentralized. The 7 trusts mentioned in the previous paragraph include most of the larger trusts and would be expected to account for at least half of total gold production by Glavzoloto and the Kazakh Ministry of non-Ferrous Metallurgy. Total gold production by these two organizations thus would probably be less than 64 tons, or perhaps 2 million ounces. This compares with an ORR estimate of 2.4 million ounces annually in the years 1949-54.

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[REDACTED] To this should be added a production of about 2 million ounces as a by-product to the refining of

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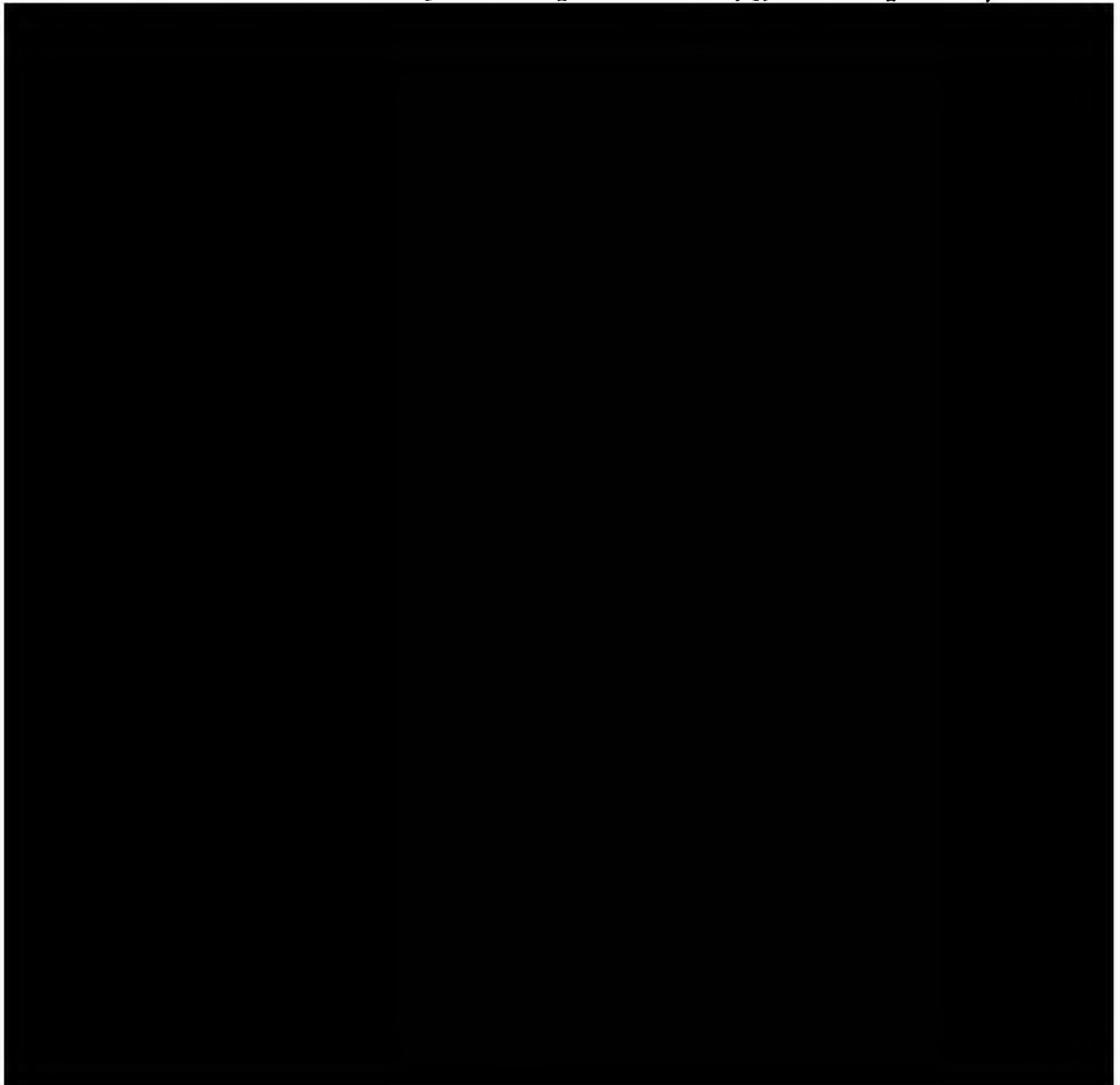
lead, and zinc (calculated as in CIA/SC/RR 121). Total Soviet gold production in 1957 would thus be about 5,300,000 troy ounces, a figure quite compatible with the ORR estimate of 4,800,000 ounces in 1954.

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4. In the meanwhile both [REDACTED] have been unable to solve the gold bar [REDACTED] with the result that the preliminary estimates of Soviet gold bar production mentioned in paragraph 2 now appear quite doubtful. Throughout the period from 1939 to the present,

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It should be noted that in any particular year gold refined is not the same as gold production (at the mine). There is necessarily a time lag between production and refining. More important, in some years gold not of current production may represent an important part of the total refined. For example, about 16 million ounces of the Spanish Republican gold reserves reached the USSR during the Spanish Civil War. This gold would surely have been refined in the USSR in order to

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Thus it is possible that gold produced during the war was not refined until 1945 or later years. A high gold bar production, accordingly, is not necessarily incompatible with a much lower gold production in any year, particularly the early postwar years.

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